

Message Text

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13

ACTION EB-11

INFO OCT-01 ARA-16 ISO-00 CAB-09 CIAE-00 COME-00 DODE-00

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R 141800Z MAY 74

FM AMEMBASSY SAN JOSE

TO SECSTATE WASHDC 7012

LIMITED OFFICIAL USE SAN JOSE 1817

E.O. 11652: N/A

TAGS: ETRN, XX, CS

SUBJECT: CIVAIR--FOREIGN GOVERNMENT SUBSIDIES TO
 FOREIGN AIRLINES

REF: STATE 079306

1. THE ONLY DOMESTIC INTERNATIONAL CARRIER OPERATING IN COSTA RICA IS LACSA (COSTA RICAN AIRLINES). LACSA IS A PRIVATE CORPORATION. HOWEVER, ONE-THIRD OF ITS STOCK IS OWNED BY THE COSTA RICAN GOVERNMENT.

2. ACCORDING TO LACSA'S VICE PRESIDENT FOR PRODUCTION, LACSA DOES NOT RECEIVE ANY DIRECT SUBSIDIES FROM THE COSTA RICAN GOVERNMENT. HOWEVER, IN CERTAIN CASES AMOUNTS OWED BY THE GOVERNMENT TO LACSA ARE DISCOUNTED AGAINST TAXES. FOR EXAMPLE, THE GOVERNMENT OF COSTA RICA HAS AN ONGOING DEBT WITH LACSA FOR MAIL AND PASSENGER SERVICES. PORTIONS OF THIS DEBT ARE DISCOUNTED AGAINST LACSA'S LANDING FEES AND THE RENT IT PAYS FOR OFFICE SPACE AT SAN JOSE'S INTERNATIONAL AIRPORT. APPARENTLY LACSA RECEIVES NO BREAK ON CORPORATE OR OTHER INCOME TAXES.

E. IN AGREEMENT WITH THE GOVERNMENT'S GENERAL POLICY RELATING TO NON-TRADITIONAL INDUSTRIES, LACSA RECEIVES AN INDIRECT SUBSIDY ON THE IMPORTATION OF SPARE PARTS. THESE ARE ALLOWED TO ENTER THE COUNTRY DUTY FREE. IT ALSO RECEIVES
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A TAX EXONERATION ON FUEL. BOTH OF THESE EXONERATIONS ARE,

HOWEVER, GRANTED TO OTHER CARRIERS OPERATING IN COSTA RICA
INCLUDING LACSA'S CHIEF COMPETITOR, PANAM.

4. APART FROM THE MAIL AND PASSENGER SERVICE DEBT OWED
BY THE GOVERNMENT, WHENEVER LACSA'S TOCK IS REVALUED,
THE CORRESPONDING ONE-THRID IS PLACED ASIDE FOR THE GOVERNMENT
WHETHER OR NOT THE GOVERNMENT PAYS FOR ITS SHARE. AS OF
MARCH, 1973, THE COSTA RICAN GOVERNMENT LACSA HALF
A MILLION COLONES (APPROXIMATELY \$75,500 AT THE OLD OFFICIAL
RATE OF EXCHANGE).
LANE

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Message Attributes

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